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March 11, 2004

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket No. R-1176

Dear Ms. Johnson:

Thank you for providing us with the opportunity to comment on the proposed amendments to Regulation CC relating to "Check 21" legislation.

Our institution is a \$27+ billion-dollar bank holding company with banking offices located in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Utah and Washington. Our affiliated banks engage in financial activities that will be directly affected by the proposed changes to the Regulation CC check collection rules. While we are generally in favor of the changes that will implement the Check 21 legislation, we have concerns over some of the particular requirements in the proposed rules as follows:

1. MICR Line Issues

Repair of MICR Line: The proposal provides that a reconverting bank may correct an encoding error in the amount and should correct a MICR-read error from the original check without affecting the legal equivalence of the substitute check. However, the proposal also states that a substitute check that does not accurately reproduce the MICR information from the original check would not meet legal equivalence of the original check. This second statement will introduce new liabilities into the collection system and create uncertainty as to how substitute checks should be handled. Banks may be hesitant to repair MICR lines if new liabilities are created.

We believe the reconverting bank should have an obligation to print the MICR information from the original check in MICR ink on the substitute check that it creates. If done in error, the reconverting bank should be held responsible under Check 21 rules, but new MICR, including the encoding of required digits "4" (forward) or "5" (return) in position 44 of the MICR line, should not affect the legal equivalence of the item. This is because the substitute check continues to accurately represent the front and back of the original check. Rules for the repair of MICR lines and additional encoding requirements should be designed to encourage banks to treat substitute checks in the same manner as original checks.

We also request that an allowance be provided in the final rules for the paying bank to print the MICR line in non-MICR ink. This would be the case only when substitute checks are paid and canceled by the paying bank and are being delivered only to its drawer customers. MICR ink is more expensive and highly unnecessary in this instance where further collection is not required.

2. Expedited Recredit for Consumers

The proposed rules state that consumers must file a claim with the bank within 40 calendar days from the date the statement or substitute check was provided, whichever is later. UCC §4-406 in most states requires that consumers must report other errors within “a reasonable period of time, not exceeding 30 days”. We would recommend for consistency sake that the time limit for substitute check errors be reduced from 40 days to 30 days where allowed. The same rules would then apply to checks and substitute checks, emphasizing their similarities rather than their differences.

The proposed rules give banks the right to reverse credit and interest if an already paid claim is later determined invalid. The Board has asked whether reversal of interest is appropriate. We believe this option is appropriate since we are required to credit the consumer for interest lost during the time the account was erroneously charged with a valid claim item. Many banks may choose not to exercise this option of recouping interest paid, but the option should be left open.

3. Delivery of Consumer Notice

The Federal Reserve has requested comment on two alternatives for a bank to deliver the case-by-case consumer awareness disclosure when it delivers a substitute check after the consumer requests a copy of a check. The two alternatives are; 1) at the time of the request, or 2) at the time the substitute check is provided to the consumer. Zions is in favor of alternative #2. A bank may not know at the time of the request whether the check will be provided as a copy of the original or a substitute.

We feel that the model consumer disclosure is far too long and detailed. Consumers are not going to read or understand this as it is written. We would recommend a simpler, shorter disclosure such as the following:

“In certain cases, such as in your account statement, when you request a copy of a paid check, or when you receive checks that you deposited that have been returned unpaid, you may receive from us a substitute check instead of the original check that was written. A substitute check is the same as the original check for all purposes, including proof of payment. A substitute check is the size of a typical business check, contains a copy of the front and back of the original check, and the words, “This is a legal copy of your check. You can use it the same way you would use the original check.”

You are provided certain rights by Federal Law, including a process for expedited recredit if you incur a loss because you received a substitute check rather than the original. You will be recredited the amount of the check (up to \$2,500 within 10 days and the remainder no later than 45 days) plus interest if your account is interest bearing. We may reverse a recredit after our investigation of your claim if we determine the substitute check was charged properly to your account. If you believe you incurred a loss because of a substitute check, notify us **at once** at (insert contact information). You must contact us within 30 days of your receipt of the substitute check or the monthly statement showing the check being charged to your account, whichever is later. In some cases, we may extend this 30-day time period.”

4. Electronic Funds Transfers

Comment is also requested on whether a duplicate debit resulting from an ACH or other electronic funds transfer created from the original or substitute check (commonly called Point of Purchase or POP) results in a violation of Check 21's duplicate payment warranty. As determined by Regulation E, the Electronic Funds Transfer Act, an ACH debit initiated by a check is not in any way a continuation of a check transaction. Such transactions fall under the consumer protection provided by Regulation E and should not be considered a breach of warranty under Check 21.

5. Other Proposed Amendments to Regulation CC

Zions has no concern with any of the additional amendments proposed for Regulation CC outside those to implement the "Check 21 Act".

Again, thank you for providing us with an opportunity to comment on these proposed rules. If you have any questions concerning our comments, please contact Kelly Etherington at ketherington@zionsbank.com.

Sincerely,

Kelly Etherington

Corporate Operations Compliance Manager